



FROM COUNSEL

A Preventive Law Service of The Office of The Judge Advocate General
Keeping You Informed On Personal Legal Affairs

Life Insurance

Life insurance is a way to provide financial protection when you die. It is one way of avoiding or shifting financial loss if you die. It is a financial safety net or security blanket. Almost everyone needs some insurance (e.g., automobile protection), and you might think of life insurance similarly - that is, as a way of replacing a lost asset. In the case of life insurance, however, the insured's "economic value" is what the life insurance will replace.

Here are a few frequently asked questions to consider:

Q. What is life insurance?

A. A life insurance policy is a contract between you and a life insurance company. You pay a certain amount of money periodically (a "premium") for a stated amount of proceeds to be paid to your named beneficiary when you die. The events of September 11th have prompted many military members to review their life insurance coverage and their beneficiary designations.

Q. Do I "*need*" life insurance?

A. Only you can decide for yourself. Many people use life insurance to provide a pot of money for survivors to live on or to pay certain expenses (e.g., college expenses of surviving children, funeral expenses), or to pay taxes on their estate, among other things. If you have another source of money for such expenses then you may not need life insurance.

Q. How much life insurance should I buy?

A. The best way to answer this question is by determining how much your surviving family will need when you die. That depends on expenses (e.g., funeral expenses, medical costs, final estate settlement costs) after your death and how much your family will need to live on when you are not around. Once you calculate that amount needed on an annual basis you may then figure what amount is necessary to invest to yield that much each year (considering your other assets). Several web sites (mentioned later) offer life insurance calculators to help you determine your "needs".

FROM COUNSEL is one of a series of informative handouts containing general information on topics that legal assistance attorneys frequently advise on. Information provided is general in nature and does not constitute legal advice. Consult an attorney for specific legal advice for your particular situation. FROM COUNSEL is distributed to persons eligible for legal assistance under 10 USC 1044.

Q. What kind is best for me?

A. There are essentially two types - term and permanent. Term life insurance is *temporary* insurance existing for a stated time period (e.g., 1, 5, 10 years). You pay a set premium for the term. If you do not die during that term, the policy expires and the life insurance protection ends. On the other hand, whole life insurance is *permanent* insurance, differing from term in that it will pay off at any time the insured dies. Your premium payments for the first few years cover more than the insurance company's cost of your risk of death with the excess going into a reserve account which is invested by the insurance company.

Q. Who receives my life insurance when I die?

A. You name your beneficiaries. The person(s) you name will receive the face amount. If, however, your beneficiaries are minor children, the insurance company will not pay the proceeds to them, but to a guardian or trustee if you established a trust. You should discuss beneficiary designations with your attorney when you are reviewing your estate planning needs (e.g., will, advance medical directive, power of attorney, health care power of attorney, organ donation).

Want to know more?

Visit one or more of these web sites to learn about life insurance or to use a life insurance needs calculator:

Insure.com's [Life Insurance](http://www.insure.com/life/) site, <http://www.insure.com/life/>

<http://www.insweb.com>, an online insurance marketplace for consumers to shop for a variety of insurance products, including automobile, term life, homeowners, renters and individual health insurance. Site includes an interactive Insurance Learning Center.

<http://www.quicken.com/insurance/>, from Quicken.com. Offers information on different types of insurance: Life, Auto, Health, Home, Disability, Long Term Care, Annuities. Tools section includes: an online insurance planner to help decide needed coverage; family needs planner; auto risk evaluator; auto policy evaluator; insurance basics; & a life events advisor.

Life & Health Insurance Foundation for Education, <http://www.life-line.org/>, an educational site for consumers to learn about life, health, and disability insurance, by LIFE, a non-profit organization.

http://www.usaaedfoundation.org/ef_ins_index.asp, insurance collection from USAA Education Foundation.

Information on various types of insurance: Life, Auto, Health, Home, Disability, and Long Term Care. Has links to other insurance resources online; lots of "consumer-oriented", informative items. Many downloadable publications. Includes information on SBP, military health benefits.

YouDecide.com's Insurance Center,

<http://atl.youdecide.com/pfs/content/templates/planning/infocenters/insurance/index.html?cacheld=0112854022>, offers online insurance information on auto, health, home, life, disability, long-term care, and renters insurance.

The General Electric Center for Financial Learning's Life Insurance page

http://www.financiallearning.com/financial_products/life_insurance/index.html

Money.com's Financial Strategy Center Insurance Department, <http://money.cnn.com/pf/insurance/>

Mutual of New York ([MONEY](#)) Resource Center's Insurance center,

<http://www.mony.com/ResourceCenter/Topic/0,1479,1004,00.html>.

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